

Message Text

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71

ORIGIN TRSE-00

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

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E.O. 11652: N/A

TAGS:EFIN, RP, US

SUBJECT:DRAFT TAX CONVENTION

REFS: A. STATE 219119, B. MANILA 13615

1. WE ACCEPT EMBASSY JUDGMENT THAT IT WOULD BE UNWISE TO
REOPEN TREATY NEGOTIATIONS ON ISSUE OF RECIPROCAL EXEMPTION
OF AIRLINES.

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2. HOWEVER, IN ABSENCE OF RECIPROCAL EXEMPTION, PAN AM HAS
INDICATED STRONG PREFERENCE FOR AIRLINES BEING EXCLUDED
FROM THE TREATY FOR SAME REASON GIVEN PARA 2, REF A. WE

FEEL OBLIGATED TO RAISE THIS POSSIBILITY WITH GOP. IN
LIGHT OF DISCUSSIONS DURING TREATY NEGOTIATIONS WE BELIEVE
SUCH AN APPROACH MAY BE ACCEPTABLE TO GOP SINCE IT MEANS
MORE REVENUE FOR PHILIPPINES.

3. PROPOSED CHANGES IN ARTICLE 9 ARE:

A. IN PARA 1 DELETE THE WORDS "OR AIRCRAFT".

B. INSERT NEW PARAGRAPH 2 READING:

"THIS CONVENTION SHALL BE INAPPLICABLE TO THE EXTENT A
RESIDENT OF A CONTRACTING STATE DERIVES PROFITS FROM
SOURCES WITHIN THE OTHER CONTRACTING STATE FROM THE
OPERATION OF AIRCRAFT IN INTERNATIONAL TRAFFIC."

C. RENUMBER PARA 2 TO BECOME PARA 3 AND REVISE TO SAY
"THE PROVISIONS OF PARAS 1 AND 2 SHALL ALSO APPLY TO
PROFITS DERIVED FROM THE PARTICIPATION IN A POOL, A JOINT
BUSINESS, OR IN AN INTERNATIONAL OPERATING AGENCY."

4. EMBASSY REQUESTED TO MAKE FOREGOING PROPOSAL AND
REPORT GOP REACTION ASAP. KISSINGER

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